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The Significance of Noncustodial Parent's Contributions

By Jeffrey W. Pethick

Divorces are very common in today's society. Since 1975, the marriage to divorce ratio has been two to one (i.e. for every two marriages, one ends in divorce). This trend significantly impacts the student financial aid applicant population, which, not surprisingly, mirrors our society. Consequently, how educational institutions, government agencies, and other organizations handle financial aid applications of students whose natural parents are divorced is becoming increasingly important; however, little research to date has addressed this issue.

Many institutions and most government agencies typically do not take into consideration the ability of the noncustodial parent to contribute. The human resources and additional procedures necessary to gather and evaluate this information make such an effort difficult. Furthermore, such efforts often create or exacerbate emotional difficulties for the families involved. This article attempts to assess the significance of including the noncustodial parent contribution within the need analysis for a limited student population.

It is important to reference at the outset some of the fundamental principles and assumptions as they relate to researching the impact of divorced families on the financial aid system. Financial need evaluation is built on the basic rationale that the family is primarily responsible for financing the student's educational expenses. According to *The NASFAA Encyclopedia of Student Financial Aid*, an expected family contribution is an estimation of the ability of the student and his or her immediate family to contribute to the extent they are able to the educational costs of the institution. The College Scholarship Service (CSS) indicates that parents are expected to contribute according to their means and financial aid should be offered only after a determination that the family's resources are insufficient to meet the student's educational expenses. Another principle in student aid administration assumes that parents are willing to contribute and be responsible for their child's education. It is important to apply these principles consistently to all student aid applicants. Our current federal financial aid system, however, ignores the noncustodial parent. The noncustodial parent is under no obligation to contribute toward the student's educational expenses.

In determining a noncustodial parent contribution, soliciting and reviewing noncustodial information is often cumbersome, delays processing, and sometimes results in little or no difference in the need evaluation. Further, it is often complicated if one or both parents have remarried. Court rulings also add to the scenarios. Furthermore, the pursuit and use of such data may impact enrollment management in the increasingly competitive world of student recruitment. The research in this study is intended to determine whether use of the noncustodial parent's information would significantly impact the allocation of

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resources by organizations and institutions awarding aid on the basis of financial need. It does not attempt to assess the quality, diversity, or overall enrollment consequences of such a policy.

Methodology

The scope of this study is limited to the freshmen financial aid filers who had enrolled at the University of Notre Dame in the 1993-94 academic year. There were 1,195 enrolled freshmen who applied for financial assistance and 111 students had parents who indicated that they were either divorced, separated, or single on the Free Application for Federal Student Aid (FAFSA) or who submitted financial information from the noncustodial parent. Unfortunately, using this process as an indicator omits some students whose parents were separated or divorced, and then remarried. If the custodial parent had remarried and indicated "married" on the FAFSA, then those students would not initially be included in the above mentioned 111 students, unless the noncustodial parent had voluntarily submitted financial information on behalf of the student.

Forty-six of the 111 identified Notre Dame freshmen financial aid filers from divorced families submitted noncustodial income information in addition to that required on the FAFSA. This information was reviewed and analyzed to determine the average custodial parental income, the average noncustodial parental income, and the average noncustodial parental contribution. This analysis included financial information from one noncustodial parent who earned close to \$1 million in 1992. Consequently, the family with the highest and the family with the lowest adjusted gross income were excluded from the calculation. This was done to determine more reasonably the average noncustodial parent's income and to determine the average noncustodial parental contribution, thus insuring that the results of the research were not skewed by the extremes. The following factors were used to assess the noncustodial parental contribution:

1. The Federal Methodology (FM) was a starting point for this calculation.
2. The noncustodial and custodial parent's adjusted gross income were combined and appropriate adjustments were made to federal, state, and other taxes.
3. An additional social security tax offset was calculated for the noncustodial parent's household. This offset is 7.65% of the income earned by the noncustodial parent (and spouse if applicable) up to a maximum of \$4,406.
4. An additional income protection allowance (IPA) of \$11,800 was incorporated to reflect the basic living expenses of the noncustodial parent. An additional living allowance offset of \$2,600 is included for each additional member of the noncustodial parent's household.
5. The child support and/or alimony paid in the base-year income stream of the custodial parent were reduced to \$0.
6. The noncustodial parent's assets were not included due to the lack of available and reliable asset information.

For all 111 enrolled students, these additional factors were investigated:

1. Unpaid student account balances after the beginning of the spring 1994 semester;
2. Which parent had claimed the student on the previous year's (1992) tax return;
3. Whether child support had been paid to the custodial parent;
4. Whether the student had declined any or all self-help assistance (i.e. loans and/or work);
5. Whether the parents were divorced, legally separated, or simply separated;
6. How long the parents had been divorced or separated;
7. The occupation of the noncustodial parent;
8. The proximity of the place of residence of the noncustodial parent;
9. Whether there was an agreement for payment of the educational costs; and
10. What the noncustodial parent's contribution was assessed by the Office of Financial Aid.

Results and Findings

The primary purpose of this limited research project was to determine the impact of including the noncustodial parent in the review and analysis of the family's ability to pay for a student's educational expenses. The data indicated that the average custodial parent's income of \$32,802 was almost half of the noncustodial parent's income of \$62,907. By combining both parents' income information in the Federal Methodology, the average noncustodial parent's contribution increased about \$5,250. For the purpose of awarding institutional funds, any additional contribution was added to the parental contribution as initially calculated by the Federal Methodology.

The additional noncustodial parent contribution for the 111 students in this study was very significant. According to this revised methodology, the noncustodial parents in this defined cohort had the ability to contribute in excess of one-half million dollars for the 1993-94 academic year. In other words, over one-half million dollars of potential aggregate student aid resources could have been redeployed by including the noncustodial parental income information. This did not include any additional contribution from those noncustodial parents who had remarried nor any additional parental contribution which could have been calculated from the asset information from the noncustodial parent. These additional resources were revealed from a subset of Notre Dame freshmen whose natural parents had divorced or separated. If the sophomores, juniors, and seniors were similar with respect to the noncustodial parent contribution, potentially the annual resources could be estimated to exceed \$2 million when considering the noncustodial parent in determining a family contribution.

The research involved only the 111 identified enrolled Notre Dame students who came from divorced families and represented 9.29%, of all enrolled freshmen financial aid filers. The percentage of students whose natural parents are divorced or separated in the Notre Dame

"Our current federal financial aid system ignores the noncustodial parent."

financial aid applicant population is greater than 9.29% as some students whose custodial parent had remarried were omitted from this research. If the students whose parents remarried were included in this study, the results would undoubtedly be magnified. This omission, however, does not reduce the credibility of the results, as the research included the noncustodial parent's income information from 41.4% of the identified divorced population. (Forty-six of the 111 identified enrolled students submitted noncustodial parental income information.) Indeed, these findings may serve to reenforce the need to expand the research further to include the omitted families.

One obvious consideration in this discussion is the availability of the financial information from the noncustodial parent. This is typically a sensitive issue that requires careful attention and professional judgment. Part of the initial review of such files involves an evaluation by the aid administrator as to whether the pursuit of noncustodial data would be appropriate. There are fairly obvious situations when this would prove fruitless, such as if the custodial parent has received public assistance for several years, or if the noncustodial parent is incarcerated.

For those students in the study whose noncustodial parent contribution would affect their financial aid package, the Office of Financial Aid at Notre Dame requested the noncustodial parent's financial information, even in cases where there was no contact with the noncustodial parent. The classic statement, sometimes suggested by guidance counselors, social workers, financial aid consultants, and even attorneys, that "Father's whereabouts are unknown," was not deemed as automatically acceptable. This is especially obvious when child support or alimony are reflected on the FAFSA, or in other scenarios such as: a recent divorce; if the noncustodial parent claims the student as an exemption; if medical and/or dental insurance is paid by the noncustodial parent; or if expenses and/or life style of the custodial family appear inconsistent with income. In some cases, the Office of Financial Aid can offer to be an intermediary by communicating with the noncustodial parent directly (See sample letter in Appendix 1). Through this follow-up, the administrator may be able to understand more about the student's background, which can aid in determining whether the pursuit of a noncustodial parent contribution is necessary or realistic in a given situation.

In 1993-94, Notre Dame actually assessed a noncustodial parent contribution for 40 of the above-referenced 111 students. This consequently reduced the need for almost \$140,000 in limited institutional financial assistance in the freshman class alone, which allowed resources to be awarded to other, more needy students. To follow-up on the impact of assessing a noncustodial parent contribution for the 40 students, the office of financial aid reviewed the actual outstanding financial obligations of these students to the University at the conclusion of the first semester. Of the 40 students reviewed, one had been academically dismissed from the University after the fall semester, and therefore was excluded from this calculation. Early in the spring semester, 20 of the remaining 39 students had their student account balances paid in full. The remaining 19 students had balances totaling about \$31,000,

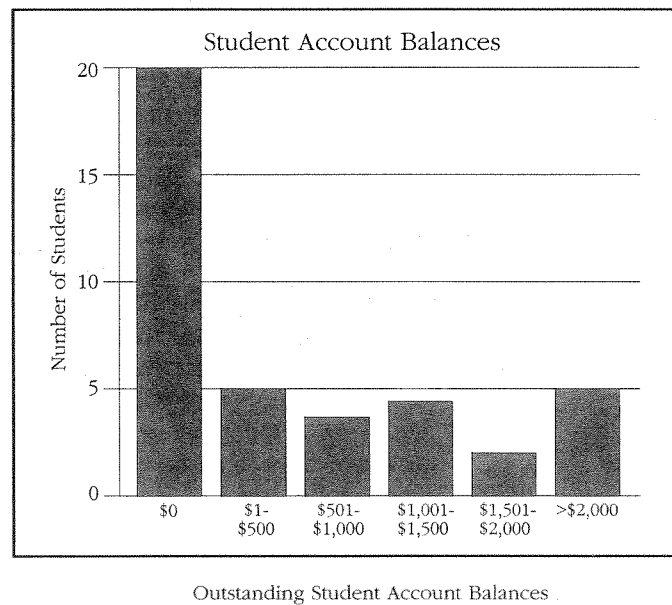
for an average of \$795 per student. Table 1 shows the frequency of the distribution of students over various ranges for outstanding student account balances.

Table 1 also demonstrates two key points. First, 64.1% of the students for whom a noncustodial parent contribution had been assessed, had account balances of less than \$500; over 50% of the students had no outstanding balance. It is important to note here that the average expected contribution from the noncustodial parent was about \$5,250.

Only five students or 12.8% of the students with assessed noncustodial parent contributions had student account balances greater than \$2,000. The outstanding student account balances for these five students totaled \$19,513 which exceeded their actual assessed aggregate noncustodial parent contribution of \$18,000. Even if these noncustodial parents met their assessed contribution for their children's education, these five students would still have an outstanding balance totaling \$1,513; therefore, at least \$1,513 of the students' account balances accumulated due to a deficiency in the students' and/or custodial parents' contributions.

Further research on each of these five students also revealed some very important observations about the financial involvement of the noncustodial parent. The noncustodial parent of a student who owed \$6,750 borrowed a PLUS Loan of \$9,600. This student's noncustodial parent contribution was assessed at \$3,000, and as a result, the noncustodial parent exceeded his determined obligation.

TABLE 1
Account Balances for Students With an Assessed
Non-custodial Parent Contribution



The other four students also had noncustodial parent involvement. Three students received child support, and the fourth student was claimed by the noncustodial parent on his 1992 tax return. The evidence compiled in this research was inconclusive in determining if any portion of the outstanding balances of these students resulted from the lack of support by the noncustodial parent. The outstanding student account balances of these four students may have stemmed to some degree from the lack of a noncustodial parent contribution, yet there was evidence of the financial involvement by the noncustodial parent. Some portion of the above-mentioned outstanding balances, therefore, was due to factors other than the lack of a noncustodial parent contribution.

One factor affecting the combined family income approach outlined above was the simple need analysis methodology. (According to the Higher Education Amendments of 1992, assets are not taken into consideration in determining financial need for families who do not file an IRS 1040 tax return and whose adjusted gross income is between \$15,000 and \$50,000. This calculation is known as the "simple needs tests.") Some of the custodial parents in the research project had significant assets but modest income. These assets may have been the result of the divorce resolution. Due to the "simple needs test," the assets were typically ignored in the original need analysis calculation. By combining the custodial and noncustodial parents' income, the family's income generally exceeded the \$50,000 "simple needs test" analysis cutoff, and the resulting expected family contribution would have increased significantly.

Conclusion

This research takes a snapshot of one specific category of students (children of divorced, separated, or single parents), for one class of enrolled students (1993-94 freshmen), at one institution (the University of Notre Dame) to determine the significance of including the noncustodial parent's financial information in the financial aid need analysis review process. Whether similar results would be produced at other institutions would certainly appear to be a worthwhile project for other student aid administrators to research. As noted in the introductory remarks, the employment of a more rigorous effort to pursue and incorporate noncustodial parental information may have varying consequences to the enrollment considerations from one institution to another. Additional research on this aspect of the issue, perhaps by institutional sector, may prove to be equally enlightening and worthwhile. Moreover, this project did not take into consideration some students whose noncustodial parents had remarried, nor the asset information of all noncustodial parents. Future research which includes this information may provide additional support and rationale for the inclusion of the noncustodial parent's information when attempting to assess a more realistic and accurate family contribution, at least for some applicants.

The results of the research strongly suggest such extra efforts and perhaps even more may be worthwhile at the University of Notre Dame. The inclusion of the noncustodial parent's information provided significant savings to the institution, which allowed funds to be rede-

ployed to assist other students. Equally significant and proportionately similar savings are possible for other organizations and agencies awarding need-based aid. Future research should be considered on both the institutional and national level to determine the significance of the noncustodial parental contribution. If the findings of such research suggest that the impact of the noncustodial parent is similarly significant, the financial aid community in general, or at least the individual institution/organization, may want to reevaluate its financial aid procedures and policies. In light of the limited and currently insufficient student aid resources, the additional funds made available by incorporating such new measures could be used to provide assistance to other more needy students.

References

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- Department of Commerce (1992). *Statistical Abstract of the U.S.* (p. 839). Washington: U.S. Government Printing Office.
- National Association of Student Financial Aid Administrators. *The NASFAA Encyclopedia of Student Financial Aid*. (1.13). Washington: NASFAA.

Appendix I

Date

Mr. Richard Smith
1 State Street
Hometown, IN 00000

Dear Mr. Smith:

As you are no doubt aware, your daughter, Rachel, has recently been accepted to the University of Notre Dame for the school year beginning next Fall. Her records of achievement are outstanding and we share in the pride you must feel and the excitement which no doubt surrounds her plans for continuing her education. Rachel has also applied for consideration for financial assistance, including University-based scholarships, from our office. In order to assist her in making this determination, we would very much appreciate your cooperation in providing some additional information.

Please complete the enclosed Divorced/Separated Parent's Statement and return it to our office with a signed copy of your 1993 tax return. Please be sure that the student's name and social security number are on all documents submitted to our office.

We very much appreciate your cooperation in our efforts to more fully assist your daughter in the financing of her Notre Dame education. If you have any questions about any aspect of our request, please feel free to contact our office. We look forward to hearing from you. Thank you.

Sincerely,

Office of Financial Aid

Enclosure

PS. The documents submitted to our office remain confidential: neither your daughter nor her mother will have access to them.